

CONSOLIDATED FINANCIAL REPORT (Japanese GAAP)
NINE-MONTH PERIOD OF THE FISCAL YEAR ENDING
FEBRUARY 28, 2021
(March 1, 2020 to November 30, 2020)

January 6, 2021

YONDOSHI HOLDINGS INC. is listed on the First Section of the Tokyo Stock Exchange under the securities code number 8008.

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(Millions of yen rounded down)

1. Consolidated Operating Results for the Nine-Month Period of Fiscal 2020
(March 1, 2020 to November 30, 2020)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures are the increase / (decrease) for the corresponding period of the previous fiscal year.)

	Net sales		Operating Income		Ordinary Income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2020 Nine-Month Period	28,323	(13.6)	1,874	(38.0)	2,210	(32.8)	1,188	(40.8)
FY2019 Nine-Month Period	32,776	(1.4)	3,025	0.8	3,289	(13.6)	2,009	146.7

Note: Comprehensive income FY2020 Nine-Month Period: 2,180 million yen (11.3%)
 FY2019 Nine-Month Period: 1,958 million yen (179.5%)

	Net Income per Share	Net Income per Share after Dilution
	Yen	Yen
FY2020 Nine-Month Period	54.80	—
FY2019 Nine-Month Period	90.49	90.49

(Reference) Operating income before the amortization of goodwill:

FY 2020 Nine-Month Period: ¥2,246 million FY 2019 Nine-Month Period: ¥3,397 million

The Company considers operating income before the amortization of goodwill to be an important management indicator.

(2) Consolidated Financial Position

	Total Assets	Net Assets	Net Assets to Total Assets	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
November 30, 2020	55,408	39,774	71.7	1,843.07
February 29, 2020	53,737	39,588	73.5	1,822.10

(Reference) Shareholders' equity: November 30, 2020: 39,748 million yen February 29, 2020: 39,514 million yen

2. Dividends

(Record Date)	Dividends per Share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal 2019	—	40.00	—	40.00	80.00
Fiscal 2020	—	40.50	—	—	—
Fiscal 2020 (Forecast)	—	—	—	40.50	81.00

Note: Revision to the most recently announced cash dividend forecast: No

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1. Qualitative Information on Business and Financial Results

(1) Explanation of Business Results

During the third quarter cumulative period (March 1, 2020 to November 30, 2020) of fiscal 2020 (ending February 28, 2021), conditions in the Japanese economy were extremely severe, with a slump in business performance and a drop in personal consumption amid the restrictions placed on economic activity due to the COVID-19 emergency.

In the retail industry, the outlook remained clouded as a result of the impact from the government's call for people to remain at home, along with business suspensions and shortened operating hours at stores. In addition, the worsening employment and income situation that continued after the state of emergency was lifted raised concerns of a further cooling off in consumer sentiment.

Under these circumstances, during fiscal 2020, the final year of the fifth medium-term management plan, the YONDOSHI HOLDINGS Group continued to cultivate human resources, bolster product capabilities, and assess market trends, with the aim of becoming a century-old company and brand. Further, the Company practiced CSR-based management to establish a highly trusted corporate group, and worked to enhance enterprise value by strengthening internal controls, providing shareholder returns, and making medium to long-term investments linked to earnings growth.

As a result, for the subject third quarter cumulative period, net sales amounted to ¥28,323 million (down 13.6% from the same period of the previous fiscal year), with operating income of ¥1,874 million (down 38.0%), ordinary income of ¥2,210 million (down 32.8%), and profit attributable to owners of parent of ¥1,188 million (down 40.8%). Operating income before the amortization of goodwill, which has been designated an important management indicator, amounted to ¥2,246 million (down 33.9%).

Operating results by business segment were as follows.

Jewelry Business

The F.D.C. Products Group implemented measures to help prevent the spread of COVID-19, including major suspending business operations and shortening operating hours at stores from late March through the end of May. People continued to refrain from going out even after the end of the state of emergency, but with the shift back to normal business operations, sales at stores have been recovering.

As a result, net sales in the Jewelry Business segment amounted to ¥13,824 million (down 26.6% from the same period of the previous fiscal year), with operating income of ¥1,224 million (down 49.2%).

Apparel Business

The AS'TY Group made efforts to maintain the supply chain by increasing the number of local staff at overseas production sites. The Group also improved operating income over the same period of the previous fiscal year by focusing on cost reductions. Retailer age Co., Ltd., which operates the everyday fashion brand PALETTE, recorded positive sales trends for items related to everyday life, fulfilling its role as part of the social infrastructure supporting the lives of local customers. Due to these efforts, existing stores posted substantial growth while stores that were newly opened in line with the current period plan also trended positively, leading to record-high results for both net sales and operating income.

As a result, net sales in the Apparel Business segment amounted to ¥14,499 million (up 4.1% from the same period of the previous fiscal year), with operating income of ¥929 million (up 21.3%).

(2) Explanation of Financial Condition

Total assets at the end of the subject third quarter cumulative period (November 30, 2020) amounted to ¥55,408 million, an increase of ¥1,671 million from the end of the previous fiscal year (February 29, 2020). This was due mainly to an increase of ¥1,218 million in cash and deposits. Total liabilities amounted to ¥15,633 million, an increase of ¥1,484 million from the end of the previous fiscal year. This was due mainly to an increase of ¥600 million in short-term borrowings. Total net assets at the end of the subject period amounted to ¥39,774 million, an increase of ¥186 million from the end of the previous fiscal year. This was due mainly to an increase of ¥973 million in the valuation difference on available-for-sale securities.

(3) Explanation of Consolidated Results Forecasts and Other Future Predictions

Full-year consolidated results forecasts for fiscal 2020 are unchanged from those announced on July 8, 2020.

Of note, because the timing of return to normal activity following COVID-19 remains uncertain, the

future status of the pandemic and extent to which it is controlled could have a significant impact on consolidated earnings..

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheets

(Millions of yen)

	End of the Fiscal Year Ended February 29, 2020 (As of February 29, 2020)	End of the Third Quarter of the Fiscal Year Ending February 28, 2021 (As of November 30, 2020)
ASSETS		
Current assets:		
Cash and deposits	785	2,004
Notes and accounts receivable — trade	2,975	3,270
Merchandise and finished goods	8,356	9,125
Work in process	469	513
Raw materials and supplies	1,262	1,002
Other current assets	3,128	1,047
Allowance for doubtful accounts	(2)	(4)
Total current assets	16,976	16,960
Noncurrent assets:		
Property, plant and equipment:		
Buildings and structures, net	5,307	5,175
Land	5,492	5,492
Other, net	698	597
Total property, plant and equipment	11,498	11,265
Intangible assets:		
Goodwill	3,227	2,854
Other intangible assets	214	216
Total intangible assets	3,441	3,070
Investments and other assets:		
Investment securities	16,507	18,863
Net defined benefit asset	582	610
Other	4,782	4,693
Allowance for doubtful accounts	(51)	(55)
Total investments and other assets	21,820	24,112
Total noncurrent assets	36,760	38,448
Total assets	53,737	55,408

(Millions of yen)

	End of the Fiscal Year Ended February 29, 2020 (As of February 29, 2020)	End of the Third Quarter of the Fiscal Year Ending February 28, 2021 (As of November 30, 2020)
LIABILITIES		
Current liabilities:		
Notes and accounts payable — trade	3,902	4,271
Short-term loans payable	—	600
Current portion of long-term loans payable	82	—
Income taxes payable	434	479
Provision for bonuses	227	317
Provision for directors' bonuses	24	39
Asset retirement obligations	70	12
Other	3,109	3,096
Total current liabilities	7,851	8,817
Noncurrent liabilities:		
Provision for share-based remuneration for directors (and other officers)	79	108
Retirement benefit liability	500	503
Asset retirement obligations	1,358	1,413
Other	4,358	4,790
Total noncurrent liabilities	6,297	6,816
Total liabilities	14,149	15,633
NET ASSETS		
Shareholders' equity:		
Capital stock	2,486	2,486
Capital surplus	7,223	7,208
Retained earnings	32,108	31,544
Treasury stock	(5,751)	(5,930)
Total shareholders' equity	36,066	35,309
Other accumulated comprehensive income:		
Valuation difference on available-for-sale securities	3,594	4,568
Deferred gains or losses on hedges	2	(6)
Revaluation reserve for land	(161)	(161)
Foreign currency translation adjustments	56	79
Remeasurements of defined benefit plans	(43)	(38)
Total other accumulated comprehensive income	3,447	4,439
Subscription rights to shares	74	26
Total net assets	39,588	39,774
Total liabilities and net assets	53,737	55,408

(2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income
Consolidated Quarterly Statements of Income
Third Quarter Cumulative

(Millions of yen)

	Nine-Month Period of the Fiscal Year Ended February 29, 2020 (March 1, 2019 to November 30, 2019)	Nine-Month Period of the Fiscal Year Ending February 28, 2021 (March 1, 2020 to November 30, 2020)
Net sales	32,776	28,323
Cost of Sales	14,114	13,097
Gross profit	18,661	15,226
Selling, general and administrative expenses	15,636	13,351
Operating income	3,025	1,874
Non-operating income		
Interest income	35	101
Dividends received	144	140
Rent of real estate for investment	54	54
Foreign exchange gains	0	—
Other	51	65
Total non-operating income	286	362
Non-operating expenses		
Interest expenses	1	2
Depreciation of real estate for investment	3	3
Management cost for real estate for investment	1	7
Foreign exchange losses	—	2
Commission for purchase of treasury shares	9	1
Provision of allowance for doubtful accounts	—	2
Loss on cancellation of insurance policies	—	4
Other	6	2
Total non-operating expenses	21	26
Ordinary income	3,289	2,210
Extraordinary income		
Gain on sales of investment securities	99	22
Gain on reversal of share acquisition rights	—	52
Subsidies for employment adjustment	—	462
Reversal of loss on liquidation of subsidiaries	—	28
Total extraordinary income	99	566
Extraordinary loss		
Impairment loss	188	108
Loss on closing of stores	40	27
Allowance for absence from work	—	405
Loss on liquidation of subsidiaries	—	6
Loss on liquidation of brands	—	121
Loss on valuation of investment securities	144	75
Total extraordinary losses	372	745
Net income before income taxes	3,016	2,032
Total income taxes	1,007	843
Net income	2,009	1,188
Profit attributable to owners of parent	2,009	1,188

Consolidated Quarterly Statements of Comprehensive Income
Third Quarter Cumulative

(Millions of yen)

	Nine-Month Period of the Fiscal Year Ended February 29, 2020 (March 1, 2019 to November 30, 2019)	Nine-Month Period of the Fiscal Year Ending February 28, 2021 (March 1, 2020 to November 30, 2020)
Income before minority interests	2,009	1,188
Other comprehensive income		
Other valuation difference on available-for-sale securities	(57)	973
Deferred gains or losses on hedges	7	(9)
Foreign currency translation adjustments	1	22
Remeasurements of defined benefit plans, net of tax	(1)	4
Total other comprehensive income	(50)	991
Comprehensive income	1,958	2,180
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	1,958	2,180

(3) Notes to Consolidated Quarterly Financial Statements

(Notes Regarding Going Concern Assumptions)

Not applicable

(Notes Regarding Substantial Changes in Shareholders' Equity)

Not applicable

(Application of Special Accounting Treatment in the Preparation of the Consolidated Financial Statements)

(Calculation of Tax Expense)

Tax expense has been calculated by rationally estimating the effective tax rate after the application of tax effect accounting for profit before income taxes in the consolidated fiscal year, including the subject third quarter period, and multiplying this estimated effective tax rate by profit before income taxes.

(Changes in Accounting Policy)

(Change in Calculation Method for Tax Expense)

Up to now, the Company and its consolidated subsidiaries have calculated tax expense using principal methods. However, following the organizational changes to strengthen management functions and enhance operational efficiency, in order to further enhance the efficiency of account settlement for the Company and its consolidated subsidiaries, from the subject first quarter period the Company is switching to a method of rationally estimating the effective tax rate after the application of tax effect accounting for profit before income taxes, and multiplying this estimated effective tax rate by profit before income taxes.

Of note, the impact of this change is negligible, and so has not been applied retroactively.

(Additional Information)

(Stock Compensation Plan for Directors)

Under its 68th annual shareholders meeting held on May 17, 2018, the Company introduced a stock compensation plan (hereinafter, the "Plan"), with eligible persons the Company's directors (excluding directors who are audit and supervisory committee members) and directors who are audit and supervisory committee members (excluding outside directors), as well as directors and corporate auditors (excluding outside corporate auditors) of the Company's major group companies from November 28, 2018.

i. Summary of the transaction

The Plan is a stock compensation plan to grant the Company's shares to eligible directors of eligible companies in accordance with rules for granting trust-based stock compensation to corporate officers as determined by the eligible companies. The Company will contribute funds to the trust, and the trust will use these funds to acquire the Company's shares, and grant them to eligible directors. In principle, directors and other officers will receive the Company's shares at the time of retirement.

ii. The Company's own shares held in the Trust

The Company's own shares held in the Trust are recorded as treasury stock under net assets at their book value in the Trust (excluding the amount of ancillary expenses). The book value and number of shares of such treasury stock was ¥114 million, for 45,353 shares at the end of the previous consolidated fiscal year, and ¥144 million, for 67,136 shares at the end of the third quarter of the subject consolidated fiscal year.

(Accounting Estimates)

Amid heightened awareness of preventing the spread of COVID-19, as of the end of the subject third quarter cumulative period, the Company expects the current inclination among people to refrain from going out in public to continue, and that this will affect demand to a certain degree.

At the end of the second quarter, the Company had assumed that demand would gradually recover over the course of the subject fiscal year. However, considering the current situation for the COVID-19 crisis, the Company is changing its assumption to "conditions will gradually improve, but the effects of the current situation will persist for a certain period, even after the subject fiscal year," and has made accounting estimates for impairment of fixed assets.

Of note, because the timing of a return to a normal state from the COVID-19 crisis remains unclear,

factors such as the future spread of the infection, and conditions surrounding a return to a normal situation, could have a considerable impact on consolidated results.

(Segment Information)

**I The nine-month period of the fiscal year ended February 29, 2020
(March 1, 2019 to November 30, 2019)**

1. Information Regarding Sales and Income or Loss by Reporting Segment

(Millions of yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Jewelry Business	Apparel Business	Total		
Net sales					
Net sales to outside customers	18,846	13,929	32,776	—	32,776
Intrasegment net sales and transfers	0	451	452	(452)	—
Total	18,847	14,381	33,228	(452)	32,776
Segment income	2,410	766	3,176	(151)	3,025

Notes:

1. The adjustment amount of minus ¥151 million for segment income mainly includes amortization of goodwill totaling minus ¥372 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥401 million and elimination of inter-segment transactions of ¥622 million. Corporate expenses are primarily general administrative expenses not attributable to reporting segments.
2. Segment income figures have been adjusted to operating income on the consolidated quarterly income statements.

2. Information Regarding Impairment Loss of Fixed Assets, Goodwill and Related Items by Reporting Segment

(Major Impairment Loss Relating to Fixed Assets)

An impairment loss relating to fixed assets was posted in the Jewelry Business segment. The posted value of this impairment loss during the third quarter cumulative period of the fiscal year under review was ¥162 million.

**II The nine-month period of the fiscal year ending February 28, 2021
(March 1, 2020 to November 30, 2020)**

1. Information Regarding Sales and Income or Loss by Reporting Segment

(Millions of yen)

	Reporting Segments			Adjustment amount (Note 1)	Amount recorded on consolidated quarterly statements of income (Note 2)
	Jewelry Business	Apparel Business	Total		
Net sales					
Net sales to outside customers	13,824	14,499	28,323	—	28,323
Intrasegment net sales and transfers	0	148	148	(148)	—
Total	13,824	14,647	28,472	(148)	28,323
Segment income	1,224	929	2,154	(280)	1,874

Notes:

1. The adjustment amount of minus ¥280 million for segment income mainly includes amortization of goodwill totaling minus ¥372 million, general administrative expenses that are not attributable to individual reporting segments amounting to minus ¥406 million and elimination of inter-segment transactions of ¥498 million. Corporate expenses are primarily general administrative expenses not attributable to reporting segments.
2. Segment income figures have been adjusted to operating income on the consolidated quarterly income statements.

2. Information Regarding Impairment Loss of Fixed Assets, Goodwill and Related Items by Reporting Segment

There was no major impairment loss recorded during the period under review.

(Important Subsequent Events)

Not applicable